ATTACHMENT C

QUALIFICATION UNDER 83 ILL. ADM. CODE 451.220

The following are included in Attachment C:

- License or Permit Bond
- Power of Attorney Appointing Individual Attorney in Fact
- Ameren Corp System Amended and Restated Non-Utility Money Pool Agreement
- Utility Credit Report
- Ameren Corporation's 2000 Annual Report [Ameren's Annual Report is available for viewing at www.ameren.com]

CNA INSURANCE COMPANIES

CNA Plaza, Chicago, IL 60685

INCREASE — DECREASE RIDER

To be attached to and made a part of Bond No. 929141135, issued by the AMERICAN CASUALTY COMPANY OF READING, PENNSYVANIA, (hereinafter called the Surety), on behalf of AMEREN ENERGY MARKETING COMPANY, (hereinafter called the Principal), in favor of PEOPLE OF THE STATE OF ILLINOIS, (hereinafter called the Obligee), and dated the 21ST day of JUNE, ~~19~~ 2000

In consideration of the premium charged for the attached bond and other good and valuable consideration it is understood and agreed that effective the 11TH day of JANUARY, ~~19~~ 2002 and subject to all the terms, conditions and limitations of the attached bond, the penal sum thereof shall be and the same is hereby (increased) (~~decreased~~) from the sum of THIRTY THOUSAND & NO/100------- Dollars, ($30,000.00---), to the sum of ONE HUNDRED FIFTY THOUSAND &NO/100 Dollars, ($150,000.00--).

It is further understood and agreed that subject to all the terms, conditions and limitations of the attached bond, the aggregate liability of the Surety for any loss occurring prior to said date shall not exceed the sum of THIRTY THOUSAND AND NO/100------- Dollars, ($30,000.00---), or for any loss occurring subsequent to said date shall not exceed the sum of ONE HUNDRED FIFTY THOUSAND&NO/100 Dollars, ($150,000.00--). In no event, however, shall the aggregate liability of the Surety exceed the larger of the aforementioned sums, it being the intent hereof to preclude cumulative liability.

Signed, sealed and dated this 27TH day of DECEMBER, ~~19~~ 2001

The above is hereby agreed to and accepted:

AMEREN ENERGY MARKETING COMPANY (Principal)

By: [signature]
Vice President & Treasurer

PEOPLE OF THE STATE OF ILLINOIS

BY: ______________________
NAME & TITLE

AMERICAN CASUALTY COMPANY OF READING, PA (Surety)

By: [signature]
THERESA HUNZIKER (Attorney-in-Fact)

Form G-23169-C

CNA
For All the Commitments You Make®

STATE OF MISSOURI

SS:

COUNTY OF CITY OF ST. LOUIS

On DECEMBER 27, 2001, before me, a Notary Public in and for said County and State, residing therein,

duly commissioned and sworn, personally appeared THERESA HUNZIKER

known to me to be Attorney-in-Fact of AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA the corporation described in and that executed the within and foregoing instrument, and known to me to be the person who executed the said instrument on behalf of the said corporation, and he duly acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have set my hand and affixed my official seal, the day and year stated in this certificate above.

KATHLEEN FOURCAULT
Notary Public - Notary Seal
STATE OF MISSOURI
City of St. Louis
My commission expires Aug. 11, 2003

My Commission Expires:

Kathleen Fourcault

NOTARY PUBLIC

Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

"Article IX—Execution of Documents

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

"Article VI—Execution of Obligations and Appointment of Attorney-in-Fact

Section 2. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior or Group Vice President may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD:

This Power of Attorney is made and executed pursuant to and by authority of the following Resolution duly adopted on February 17, 1993 by the Board of Directors of the Company.

"RESOLVED: That the President, an Executive Vice President, or any Senior or Group Vice President of the Corporation may, from time to time, appoint, by written certificates, Attorneys-in-Fact to act in behalf of the Corporation in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such Attorney-in-Fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Corporation by their signature and execution of any such instrument and to attach the seal of the Corporation thereto. The President, an Executive Vice President, any Senior or Group Vice President or the Board of Directors may at any time revoke all power and authority previously given to any Attorney-in-Fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Corporation may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Corporation."

BOND NO. 929141135

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania (herein called "the CNA Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signatures and seals herein affixed hereby make, constitute and appoint

Gregory L. Stanley, Theresa Hunziker, Michael T. Reedy, Joe C. Brock, Gary L. Riek, Kathleen Fourcault, Individually

of St. Louis, Missouri

their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

--- In Unlimited Amounts ---

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given is hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Law and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Companies have caused these presents to be signed by their Vice President and their corporate seals to be hereto affixed on this 5th day of February, 2001.

CONTINENTAL CASUALTY COMPANY CORPORATE SEAL 1897
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA INCORPORATED JULY 31, 1902

Continental Casualty Company
National Fire Insurance Company of Hartford
American Casualty Company of Reading, Pennsylvania

Michael Gengler

Michael Gengler Group Vice President

State of Illinois, County of Cook, ss:

On this 5th day of February, 2001, before me personally came Michael Gengler to me known, who, being by me duly sworn, did depose and say: that he resides in the City of Chicago, State of Illinois; that he is a Group Vice President of Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.

"OFFICIAL SEAL"
DIANE FAULKNER
Notary Public, State of Illinois
My Commission Expires 9/17/01

Diane Faulkner

My Commission Expires September 17, 2001 Diane Faulkner Notary Public

CERTIFICATE

I, Mary A. Ribikawskis, Assistant Secretary of Continental Casualty Company, National Fire Insurance Company of Hartford, and American Casualty Company of Reading, Pennsylvania do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of the corporations printed on the reverse hereof is still in force. In testimony whereof I have hereunto subscribed my name and affixed the seal of the said corporations this 27TH day of DECEMBER, 2001.

CONTINENTAL CASUALTY COMPANY CORPORATE SEAL 1897
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA INCORPORATED JULY 31, 1902

Continental Casualty Company
National Fire Insurance Company of Hartford
American Casualty Company of Reading, Pennsylvania

Mary A. Ribikawskis

Mary A. Ribikawskis Assistant Secretary

(Rev. 1/23/01)

CRANE
SINCE 1885

Insurance Agents and Brokers

Charles L. Crane Agency Company
Professional Insurance Counselors

Suite 800
100 South Fourth Street
St. Louis, Missouri 63102
314 241-8700
314 444-4970 (Fax)

December 28, 2001

Ken Mollet, Asst. Sec.
Ameren Energy Marketing Co.
P.O. Box 66149
St. Louis, MO 63166-6149

Subject: License and Permit Bond #929141135
Insurer: CNA Surety Company
Term: 06/21/00 to 06/21/03

Dear Ken,

Enclosed is the Increase Rider for the above-mentioned bond. This rider increases the bond from $30,000 to $150,000 per a recent change required by the Obligee.

The original rider signed by our Attorney-in-Fact, Theresa Hunziker, needs to be executed from your office, and sent to the State of Illinois along with the highlighted copy of the rider. Illinois is to acknowledge acceptance of the rider on the highlighted copy and return same to our Bond Department. Our return envelope is enclosed.

Cari - please note.

If you have any questions as to the handling of this rider, please call me, or Jim Prinsen. My direct office number is 314-444-4976.

Sincerely,

Victoria Clements

Enclosures

CNA INSURANCE COMPANIES

CNA Plaza, Chicago, IL 60685

INCREASE — DECREASE RIDER

To be attached to and made a part of Bond No. 929141135, issued by the AMERICAN CASUALTY COMPANY OF READING, PENNSYVANIA, (hereinafter called the Surety), on behalf of AMEREN ENERGY MARKETING COMPANY, (hereinafter called the Principal), in favor of PEOPLE OF THE STATE OF ILLINOIS, (hereinafter called the Obligee), and dated the 21ST day of JUNE, XX 2000

In consideration of the premium charged for the attached bond and other good and valuable consideration it is understood and agreed that effective the 11TH day of JANUARY, XX 2002 and subject to all the terms, conditions and limitations of the attached bond, the penal sum thereof shall be and the same is hereby (increased) (XXXXXXXX) from the sum of THIRTY THOUSAND & NO/100------- Dollars, ($30,000.00---), to the sum of ONE HUNDRED FIFTY THOUSAND &NO/100 Dollars, ($150,000.00--).

It is further understood and agreed that subject to all the terms, conditions and limitations of the attached bond, the aggregate liability of the Surety for any loss occurring prior to said date shall not exceed the sum of THIRTY THOUSAND AND NO/100------- Dollars, ($30,000.00---), or for any loss occurring subsequent to said date shall not exceed the sum of ONE HUNDRED FIFTY THOUSAND&NO/100 Dollars, ($150,000.00--). In no event, however, shall the aggregate liability of the Surety exceed the larger of the aforementioned sums, it being the intent hereof to preclude cumulative liability.

Signed, sealed and dated this 27TH day of DECEMBER, XX 2001

The above is hereby agreed to and accepted:

AMEREN ENERGY MARKETING COMPANY (Principal)

By: ______________________

PEOPLE OF THE STATE OF ILLINOIS

AMERICAN CASUALTY COMPANY OF READING, PA (Surety)

BY: ______________________

NAME & TITLE

By: ______________________

THERESA HUNZIKER (Attorney-in-Fact)

Form G-23169-C

CNA

For All the Commitments You Make

CRANE

ATTN: BOND DEPARTMENT

Charles L. Crane Agency Company
100 South Fourth Street
St. Louis, Missouri 63102

HCJV

AMEREN CORPORATION SYSTEM AMENDED AND RESTATED NON-UTILITY MONEY POOL AGREEMENT

This NON-UTILITY MONEY POOL AGREEMENT is made and entered into this 3rd day of March, 2000 by and among **Ameren Corp.** ("Ameren"), a Missouri corporation and a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"); **Ameren Services, Inc.** ("Ameren Services"), **Ameren Energy, Inc.**, and **Ameren Development Corp.**, each a Missouri corporation and subsidiary company of Ameren; **Ameren ERC, Inc.**, and **Ameren Energy Communications, Inc.**, each a Missouri corporation and subsidiary company of Ameren Development Corp.; **Ameren Energy Resources Company and CIPSCO Investment Company**, each an Illinois corporation and a subsidiary of Ameren; **Ameren Energy Generating Company, Ameren Energy Marketing Company, and Illinois Materials Supply Company**, each an Illinois corporation and a subsidiary of Ameren Energy Resources Company; and **Union Electric Development Corp.**, a Missouri corporation and a subsidiary of Union Electric Co., which is a subsidiary of Ameren (each a "Party" and collectively, the "Parties").

RECITALS

The Parties from time to time have need to borrow funds on a short-term basis. Some of the Parties from time to time may have funds available to loan on a short-term basis. The Parties desire to establish a pool (the "Non-Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements.

NOW THEREFORE, in consideration of the premises, and the mutual promises set forth herein, the Parties hereto agree as follows:

ARTICLE I
CONTRIBUTIONS AND BORROWINGS

Section 1.1 Contributions to Non-Utility Money Pool. Each Party will determine each day, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion, the amount of funds it has available for contribution to the Non-Utility Money Pool, and will contribute such funds to the Non-Utility Money Pool. The determination of whether a Party at any time has surplus funds to lend to the Non-Utility Money Pool or shall lend funds to the Non-Utility Money Pool will be made by an appropriate officer of such Party, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such Party's sole discretion. Each Party may withdraw any of its funds at any time upon notice to Ameren Services as administrative agent of the Non-Utility Money Pool. No loans to the Non-Utility Money Pool will be made by Ameren Services.

Section 1.2 Rights to Borrow. (a) Subject to the provisions of Section 1.4(b) of this Agreement, all short-term borrowing needs of the Parties, with the exception of Ameren, may be met by funds in the Non- Utility Money Pool to the extent such funds are available. Each Party (other than Ameren) shall have the right to make short-term borrowings from the Non-Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein. Each Party (other than Ameren) may request loans from the Non-Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the Parties; provided, however, that the aggregate amount of all loans requested by any Party hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of the Securities and Exchange Commission and other regulatory authorities, resolutions of such Party's shareholders and Board of Directors or similar governing body, such Party's governing corporate documents, and agreements binding upon such Party. No Party shall be obligated to borrow from the Non-Utility Money Pool if lower cost funds can be obtained from external borrowing. No loans through the Non-Utility Money Pool will be made to, and no borrowings through the Non- Utility Money Pool will be made by, Ameren.

(b) Other non-utility affiliates of Ameren may enter into this Non-Utility Money Pool Agreement under the same terms and conditions by amendment executed by the affiliate and Ameren Services as Agent.

Section 1.3 Source of Funds. (a) Funds will be available through the Non-Utility Money Pool from the following sources for use by the Parties from time to time: (i) surplus funds in the treasuries of Parties other than Ameren Services, and (ii) proceeds from bank borrowings by Parties ("External Sources"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such order as Ameren Services, as administrator of the Non-Utility Money Pool, may determine will result in a lower cost of borrowing to Parties borrowing from the Non-Utility Money Pool, consistent with the individual borrowing needs and financial standing of the Parties providing funds to the Non-Utility Money Pool.

(b) Borrowing Parties will borrow pro rata from each lending Party in the proportion that the total amount loaned by such lending Party bears to the total amount then loaned through the Non-Utility Money Pool. On any day when more than one fund source (e.g., surplus treasury funds of Ameren and other Non-Utility Money Pool participants ("Internal Sources") and funds from External Sources), with different rates of interest, is used to fund loans through the Non-Utility Money Pool, each borrowing Party will borrow pro rata from each such fund source in the Non-Utility Money Pool in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available in the Non-Utility Money Pool.

Section 1.4 Authorization. (a) Each loan to the Non-Utility Money Pool shall be authorized by the lending Party's President, Treasurer, Assistant Treasurer or by a designee thereof.

(b) All borrowings from the Non-Utility Money Pool shall be authorized by the borrowing Party's President, Treasurer, Assistant Treasurer, or by a designee thereof. Disbursement requests signed by a Party's President, Treasurer, Assistant Treasurer, or designee thereof shall be considered as authorization for borrowing hereunder.

Section 1.5 Interest. Each Party receiving a loan shall accrue interest monthly on the unpaid principal amount of such loan in the Non- Utility Money Pool from the date of such loan until such principal amount shall be paid in full.

(a) If only funds from Internal Sources comprise the funds available in the Non-Utility Money Pool, the interest rate applicable to loans of such funds from Internal Sources shall be the CD yield equivalent of the 30-day Federal Reserve "AA" Non-Financial Commercial Paper Composite Rate (or, if no such Composite Rate is established for that day, then the applicable rate shall be the Composite Rate for the next preceding day for which such Composite Rate was established).

(b) If only funds from External Sources comprise the funds available in the Non-Utility Money Pool, the interest rate applicable to loans of such funds from External Sources shall be equal to the lending Party's cost for such funds from External Sources (or, if more than one Party had made available funds from External Sources on such day, the applicable interest rate shall be a composite rate, equal to the weighted average of the cost incurred by the respective Parties for such funds from External Sources).

(c) In cases where funds from both Internal Sources and External Sources are concurrently borrowed through the Non-Utility Money Pool, the rate applicable to all loans comprised of such "blended" funds shall be a composite rate, equal to the weighted average of the (i) cost of all funds contributed by Parties from Internal Sources (as determined pursuant to Section 1.5(a) above) and (ii) the cost of all such funds from External Sources (as determined pursuant to Section 1.5(b) above); provided, that in circumstances where funds from Internal Sources and External Sources are available for loans through the Non-Utility Money Pool, loans may be made exclusively with funds from Internal Sources or External Sources, rather than from a "blend" of such funds, to the extent it is expected that such loans would result in a lower cost of borrowing.

Section 1.6 Certain Costs. The cost of compensating balances and/or fees paid to banks to maintain credit lines by Parties lending funds from External Sources to the Non-Utility Money Pool shall initially be paid by the Party maintaining such line. A portion of such costs shall periodically be allocated to the Parties borrowing such funds from External Sources through the Non-Utility Money Pool on a fair and equitable basis.

Section 1.7 Repayment. Each Party receiving a loan hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within one year of the date on which such loan was made. All loans made through the Non-Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.8 Form of Loans to Parties. Loans to the Parties through the Non-Utility Money Pool will be made pursuant to open-account advances, repayable upon demand; provided, that each lending Party shall at all times be entitled to receive upon demand one or more promissory notes evidencing any and all loans by such lender. Any such note shall: (a) be dated as of the date of the initial borrowing, (b) mature on demand or on a date agreed to by the Parties to the transaction, but in any event not later than one year after the date of the applicable borrowing, and (c) be prepayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II
OPERATION OF NON-UTILITY MONEY POOL

Section 2.1 Operation. Operation of the Non-Utility Money Pool, including record keeping and coordination of loans, will be handled by Ameren Services under the authority of the appropriate officers of the Parties. Ameren Services shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the Parties. Ameren Services will administer the Non-Utility Money Pool on an "at cost" basis. Separate records shall be kept by Ameren Services for the Non-Utility Money Pool established by this agreement and any other money pool administered by Ameren Services.

Section 2.2 Investment of Surplus Funds in the Non-Utility Money Pool. Funds not required to meet Non-Utility Money Pool loans (with the exception of funds required to satisfy the Non-Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short- term investments, including: (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 or P-1 or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit and bankers acceptances; (vii) Eurodollar certificates of deposit or time deposits; (viii) investment grade medium term notes, variable rate demand notes and variable rate preferred stock; and (ix) such other investments as are permitted by Section 9(c) of the Act and Rule 40 thereunder.

Section 2.3 Allocation of Interest Income and Investment Earnings. The interest income and other investment income earned by the Non-Utility Money Pool on loans and on investment of surplus funds will be allocated among the Parties in accordance with the proportion each Party's contribution of funds in the Non-Utility Money Pool bears to the total amount of funds in the Non-Utility Money Pool and the cost of any External Sources provided to the Non-Utility Money Pool by such Party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.4 Event of Default. If any Party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any Party seeking to adjudicate it a bankrupt or insolvent, then the other Parties may declare the unpaid principal amount of any loans to such Party, and all interest thereon, to be forthwith due and payable and all such amounts shall forthwith become due and payable.

ARTICLE III
MISCELLANEOUS

Section 3.1 Amendments, Waivers. Except as provided for in Section 1.2 (b), this Agreement may not be modified or amended in any respect except in writing executed by the Parties. No provision of this Agreement shall be deemed waived unless such wavier is set forth in writing and executed by the Party making such waiver.

Section 3.2 Legal Responsibility. Nothing herein contained shall render any Party liable for the obligations of any other Party hereunder and the rights, obligations and liabilities of the Parties are several in accordance with their respective obligations, and not joint.

Section 3.3 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri.

IN WITNESS WHEREOF, the undersigned companies have duly caused this document to be signed on their behalf on the date first written above by the undersigned thereunto duly authorized.

AMEREN CORP.

By Jerre E Birdsong
Name: Jerre E. Birdsong
Title: Treasurer

AMEREN SERVICES, INC.

By ______________________
Name: Jerre E. Birdsong
Title: Treasurer

AMEREN ENERGY, INC.

By ______________________
Name: Jerre E. Birdsong
Title: Treasurer

AMEREN DEVELOPMENT CORP.

By ______________________
Name: Jerre E. Birdsong
Title: Treasurer

AMEREN ERC, INC.

By ______________________
Name: Daniel F. Cole
Title: President

CIPSCO INVESTMENT CO.

By ______________________
Name: Jerre E. Birdsong
Title: President

UNION ELECTRIC DEVELOPMENT CORP.

By ______________________
Name: Jerre E. Birdsong
Title: Treasurer

AMEREN ENERGY COMMUNICATIONS, INC.

By Daniel F. Cole
Name: Daniel F. Cole
Title: President

AMEREN ENERGY RESOURCES COMPANY

By ______________________
Name: Gary L. Rainwater
Title: President

AMEREN ENERGY GENERATING COMPANY

By ______________________
Name: Gary L. Rainwater
Title: President

AMEREN ENERGY MARKETING COMPANY

By Jerre E. Birdsong
Name: Jerre E. Birdsong
Title: Treasurer

ILLINOIS MATERIALS SUPPLY COMPANY

By ______________________
Name: Gary L. Rainwater
Title: President

STANDARD &POOR'S | RATINGSDIRECT

Return to Regular Format

Research:
Ameren Corp.

Publication Date: 01-Nov-2001

Analyst: Barbara A Eiseman, New York (1) 212-438-7666

Credit Rating A+/Negative/A-1

Rationale

The ratings of Ameren Corp. are based on the consolidated credit profile of the Ameren family of companies, which include its regulated utilities Union Electric Co. (UE, doing business as AmerenUE) and Central Illinois Public Service Co. (CIPS, doing business as AmerenCIPS); its unregulated generation subsidiary, AmerenEnergy Generating Co. (AEGC); and other diversified businesses, such as energy marketing and trading.

UE accounts for some 70% of consolidated operating income and 74% of Ameren's cash flow. Its much smaller sister company, CIPS, represents about 15% and 17%, respectively, of the consolidated entity. AEGC accounts for about 15% of consolidated operating income and 9% of Ameren's cash flow. UE is a vertically integrated utility; CIPS became a transmission and distribution company on May 1, 2000, following the transfer of its deregulated generating assets (2,865 MW) to AEGC at book value ($189 per KW). In addition, AEGC installed 584 MW and 820 MW of new generation in 2000 and 2001, respectively, and is expected to acquire 468 MW of new combustion turbines, to be completed by 2002. Once Missouri restructures its power industry, which is not expected for several years, Standard & Poor's expects UE to transfer its generating assets to AEGC as well. The commodity price risk associated with this strategy is tempered by a fixed-price power supply agreement through 2004 between AEGC and an unregulated marketing affiliate for all generation. The marketing affiliate has an agreement with CIPS to supply it with sufficient generation to meet native load requirements over the contract's term. In addition, a significant portion of AEGC's capacity is under contract through 2004. Moreover, the company will seek to renew the contract with CIPS in 2005.

Ameren's credit quality reflects an average business profile and eroding consolidated financial measures which just last year were robust for current ratings. Potentially significant rate reductions at UE, lower forward energy prices, additional financing requirements for installation of a block of combustion turbines, and higher operating expenses will continue to pressure cash flow, earnings protection measures, and capital structure balance. Ameren's average business profile is a function of its position as one of the lowest-cost producers in the Midwest, efficient coal and nuclear operations, strong transmission ties, and limited industrial exposure, offset by its riskier unregulated generating fleet.

Outlook

The negative outlook reflects expectations for continued deterioration in key consolidated financial measures, which management will be challenged to stem, as well as weakness in the financial profile of CIPS, whose ratings are based more on a stand-alone basis.

Ameren Corp. - Financial Summary					
	2000*	2000	1999	1998	1997

(Mil. $)					
Gross revenues	4,171.7	3,855.8	3,523.6	3,318.2	3,326.5
Net Income from continuing operations	454.9	462.2	390.2	391.6	391.6
Funds from operations (FFO)	828.6	850.5	782.9	718.6	712.6
Net cash flow	475.0	496.9	429.3	365.0	381.4
Capital expenditures	(1,022.1)	(936.7)	(578.4)	(333.3)	(387.9)
Total capital	6,847.3	6,428.6	5,982.4	5,844.5	5,902.3
Adjusted ratios					
Pretax interest coverage (x)	4.8	5.4	5.0	4.7	4.4
FFO interest coverage (x)	5.0	5.8	5.8	5.1	4.7
FFO/average total debt (%)	26.5	30.3	30.3	28.0	27.7
Total debt/total capital (%)	49.5	45.9	43.8	42.8	44.0
*For 12 months ended June 30 (unaudited).					

Recent Developments

- In late 2000, the company announced its intention to withdraw from the Midwest Independent System Operator (ISO) and join the Alliance Regional Transmission Organization (RTO). The RTO is expected to be operational by the end of 2001.
- On June 30, 2001, UE's alternative regulation plan (ARP) for its Missouri electric customers expired. Subsequently, on July 2, 2001 the Missouri Public Service Commission (MPSC) staff filed with the commission an excess earnings complaint against the company to reduce revenues by $213 million to $250 million. A final decision on this matter may not occur until 2002. Although a settlement is possible, a rate decrease appears to be inevitable. Standard & Poor's believes that the MPSC will ultimately be more supportive of the company and order a rate reduction that is manageable.

Rating Methodology

Ameren's corporate credit rating is based on the consolidated financial and business risk profiles of the Ameren family of companies. Because there are no regulatory mechanisms or other structural barriers in Missouri that sufficiently restrict access by the parent to the cash flow of UE, Standard & Poor's views the default risk of UE as being the same as that of Ameren.

With respect to AEGC, Standard & Poor's recognizes that management perceives the wholesale generation business as a growth vehicle. However, AEGC will remain a small part (about 15% and 9% of Ameren's operating income and cash flow, respectively) of Ameren's business for several years, or at least until deregulation occurs in Missouri. Therefore, Standard & Poor's believes that there are limits to the support Ameren would provide to AEGC during a credit event or a weakening financial condition, to the detriment of UE's credit quality. Because AEGC is viewed as an important, but not a core, subsidiary of Ameren, its corporate credit rating is based more on its stand-alone qualitative and quantitative credit factors, which are characteristic of a 'BBB' credit category. However, in assigning AEGC's initial rating last fall, Standard & Poor's acknowledged the strong financial flexibility that its higher-rated parent provided, and accordingly incorporated that strength into AEGC's 'BBB+' corporate credit rating.

Standard & Poor's views CIPS, whose operations are of comparable size to AEGC's, as a noncore, but important business of Ameren for the same aforementioned reasons. However, CIPS' prospective financial profile supported an 'A+' corporate credit rating last year; therefore, the company was assigned the same corporate credit rating as Ameren and UE. Since then, CIPS' financial parameters have declined.

CIPS' first mortgage bonds are rated on par with its corporate credit rating because Standard & Poor's ultimate recovery analysis does not project the value of the collateral as sufficient to consider a higher rating. CIPS' senior unsecured debt is rated one notch lower than the corporate credit ratings because unsecured bondholders are disadvantaged by the presence of outstanding first mortgage bonds.

Business Description

St. Louis, Mo.-based Ameren is a registered public utility holding company that was created by the Dec. 31, 1997, merger of UE and CIPSCO Inc., the parent of CIPS. UE is based in St. Louis, Mo. and CIPS in Springfield, Ill. Ameren's nonregulated operations are organized under subsidiaries AmerenEnergy Inc., Ameren Development Co., AmerenEnergy Resources (which includes AEGC), and CIPSCO Investment Co.

On May 1, 2000, CIPS transferred its electric generating assets (2,865 MW) at book value ($189 per kW) to AEGC, a subsidiary of AmerenEnergy Resources, in exchange for a deeply subordinated $552 million intercompany promissory note. At the same time, a power supply agreement was entered into between AEGC and its newly created marketing affiliate, AmerenEnergy Marketing Co., also a unit of AmerenEnergy Resources. Also on May 1, 2000, AmerenEnergy Marketing entered into a five-year power supply agreement with CIPS to supply it with sufficient generation to meet native load requirements through 2004. In addition, AEGC installed 584 MW and 820 MW of new generation in 2000 and 2001, respectively, and is expected to acquire or build 468 MW of new combustion turbines, to be completed by 2002.

UE supplies electricity (95% of UE's revenues) and gas service (5%) in Missouri and to a small area in Illinois. Gateway Fuel Co., a special-purpose corporation, uses a $120 million commercial paper program to acquire nuclear fuel, which it leases to UE.

CIPS provides transmission and distribution service in portions of central and southern Illinois.

AmerenEnergy serves as the power marketing agent for UE and AEGC and provides a range of energy and risk-management services to targeted customers. Ameren Development encompasses Ameren's nonregulated products and services. Ameren Energy Resources is an unregulated holding company for AEGC and its marketing affiliate and for AmerenEnergy Fuels and Services Co., which manages coal, natural gas, and fuel oil purchases for the Ameren Companies on a centralized basis. Ameren Services provides shared support services to Ameren and all of its subsidiaries. CIPSCO Investment's portfolio mainly consists of equity interests in lease transactions and energy-related projects.

Under a joint dispatch agreement, AEGC and UE are entitled to serve their load requirements from their own least-cost generating assets first, and then each company is allowed access to any available generation. On the other hand, AEGC or UE has no call on the other company's resources until the other company has served its load requirements. CIPS will continue to be part of the joint dispatch agreement because it governs the allocation of transmission costs and revenues associated with third-party transmission transactions. CIPS would be entitled to a share of transmission revenues associated with third-party sales made across the Ameren transmission system by AEGC or AmerenEnergy Marketing.

Ameren's strengths include:

- Excellent nuclear operations.
- A strong and diverse service area with limited industrial exposure.
- Extremely low fuel costs.
- Relatively low-cost producer; competitive rates.
- A five-year purchased-power agreement through 2004 between AEGC and its marketing affiliate that supplies CIPS with sufficient generation over the contract term.
- Wholesale prices will not have a significant effect on AEGC's revenue stream until at least 2005.

Ameren's risks include:

- Weakening financial profile.
- Unregulated generation business.
- Following termination of purchased-power agreements, AEGC's assets will become fully exposed to market sales and commodity price risk.
- Nuclear asset concentration at UE.
- Potentially tighter environmental standards.

Business Profile

Regulation.

Ameren's combined operations are subject to the jurisdiction of the MPSC (56% of 2000 consolidated utility revenues), the Illinois Commerce Commission (ICC; 23%), and the FERC (21%).

UE's rates are regulated by the Missouri PSC (91% of retail revenues) and, to a much lesser extent, by the ICC and the FERC. The regulatory climate in Missouri traditionally has been somewhat restrictive regarding cash flow enhancement and earnings stability. The absence of a fuel-adjustment mechanism is cause for concern, because unscheduled outages, especially nuclear outages, could expose UE to higher replacement power costs. On the other hand, the company is able to keep the benefits of lowering fuel costs. In recent years, the MPSC has been receptive to rate design, pricing flexibility, and special contractual arrangements.

Although studies of electric industry restructuring and competition have been completed and several bills have been introduced in Missouri's legislature, no legislation has been enacted. Given the existence of relatively low rates coupled with the problems experienced in the western U.S., there appears to be little incentive for the Missouri regulators or legislators to pursue retail choice. The cautious and "go-slow" approach will give UE some time to mitigate potential stranded costs.

From July 1, 1995 to June 30, 2001, UE operated under an ARP. Under the plan, earnings above a 12.61% regulatory ROE up to a 14% ROE were shared equally between customers and stockholders. For the period from July 1, 1998 to June 30, 2001, customers also received 90% of earnings above an ROE of 14%, up to 16%. Earnings above a 16% ROE were credited entirely to customers. The ARP reduced rates through performance credits, and UE was permitted to earn up to a 13.5% ROE. With expiration of the ARP, the commission staff filed an excess earnings complaint proposing to reduce revenues ranging from $213 million (7.7%) to $250 million (9.0%). A final decision on this matter may not occur until 2002. Although a settlement is possible, a rate decrease appears to be inevitable. Standard & Poor's believes that the MPSC will ultimately be more supportive of the company and order a rate reduction that is manageable.

On Dec. 16, 1997, the Illinois Electric Service Customer Choice and Rate Relief Law became effective. The deregulation legislation phases in electric retail access through May 1, 2002. The Act, as it applies to the company, mandated a 5% residential rate cut in 1998. The company was subject to an additional residential rate cut of up to 5% in 2000 (which did not occur) and is subject to another residential rate decrease of up to 5% in 2002, to the extent that its rates exceed the Midwest utility average at that time. The company's rates are currently below the Midwest utility average. The implementation of retail direct access for large commercial and industrial customers began on Oct. 1, 1999. The remaining commercial and industrial customers were offered choice of suppliers on Dec. 31, 2000. Customers in these groups represent about 13% of Ameren's total sales. The effect of choosing an energy supplier has been immaterial to Ameren's financial condition. Retail direct access will be offered to residential customers on May 1, 2002. In return, the utilities may recoup, through transition charges, revenues that otherwise would be unrecoverable in a fully competitive electric marketplace. However, they would be required to continue to actively mitigate their stranded-cost exposure. A transition charge may be in place through year-end 2006 for customers who choose to buy electricity from alternative suppliers.

As permitted by the legislation, and following receipt of all required state and federal approvals, CIPS transferred its 2,865 MW of generating capacity at book value to AEGC on May 1, 2000, in exchange for a $552 million promissory note. The note has a term of five years and bears interest at 7%, based on a 10-year amortization. Also on May 1, 2000, a power supply contract was entered into between AEGC and AmerenEnergy Marketing Co. Concurrently, the marketing company entered into an agreement with CIPS to supply it with sufficient power to meet native load requirements through the end of 2004.

In March 1999, CIPS and UE filed delivery service tariffs with the ICC to comply with the law. These would be rates used by customers who choose to buy power from alternative suppliers. On Aug. 25, 1999, the ICC approved the delivery services tariffs, with an allowed ROE of 10.45%. In late 2000, the companies filed revised tariffs. An ICC decision is expected in early 2002.

Markets.

On a consolidated basis, 91% of Ameren's 2000 operating revenues were derived from the sale of electricity and 8% came from the sale of natural gas.

UE mainly engages in providing electric service (95% of UE's operating revenues) in Missouri and to a small portion of Illinois. The service territory covers 24,500 square miles and includes the metropolitan St. Louis area. Retail natural gas (5% of operating revenues) is distributed in 90 Missouri communities and in the city of Alton, Ill. and vicinity. Business risk is tempered by a diverse and healthy economy. Sales and revenues derive largely from residential and commercial customers, providing some insulation from cyclical volatility. The vibrant and diversified St. Louis economy has thriving automotive, defense, and financial industries, solid commercial and industrial electric sales growth, very low unemployment, business expansions, a nominal amount of uncollectible accounts, and slightly above-average median household income.

CIPS provides transmission and distribution service to about 325,000 customers in a 20,000-square mile region of central and southern Illinois. The service area has an estimated population of 820,000, or 7% of the state's population. The company also serves about 175,000 retail gas customers and provides gas transportation service to end users. CIPS has the provider of last resort responsibility for those customers who elect not to choose another power supplier or whose alternative supplier fails to provide service. The company will generally obtain its supply for this function from the market, including AEGC. CIPS will remain an all-requirements customer of AEGC through 2004, paying a fixed price for capacity and energy. The purchased-power agreement is with AmerenEnergy Marketing, which has a back-to-back agreement with AEGC.

Economic support centers on agriculture and diversified industrial operations. The economy of CIPS' service territory continues to expand and grow stronger. In recent years, several firms opened new facilities in the region or have completed, or are undergoing, facility expansions. The area's median household income is slightly above the national average, uncollectable accounts remain nominal, housing starts are up, commercial construction is strengthening, and the unemployment rate is in line with state average. The population of the service area continues to grow by about 1% per year, while customer growth is increasing more rapidly, by about 2% per year.

The customer profiles of UE and CIPS are characterized by below-average dependence on the industrial sector, thus providing some insulation from cyclical volatility and limiting exposure to retail wheeling. CIPS and Ameren Energy Marketing Co. have under contract a majority of its large Illinois electric customers who have the right to choose other energy providers. Although utility operations in Illinois will be relatively insulated from the customer profile, AEGC's performance could be exposed to the vagaries of the competitive power market if a portion of these customers shop for generation.

AEGC's generating facilities are concentrated in southern Illinois in the Mid-America Interconnected Network (MAIN) region, which consists of most of Illinois, eastern portions of Missouri and

Wisconsin, and much of peninsular Michigan. A significant portion of AEGC's revenues will come from serving CIPS' native load obligation in central and southern Illinois until the transition period ends on Dec. 31, 2004. The remaining capacity will be sold to customers in MAIN and ECAR.

The company has under contract a majority of its large Illinois electric customers who have the right to choose other energy providers. It also has secured contracts outside its service area with the signing of a multiyear sole supplier contract with Illinois' largest electricity user, Archer Daniels Midland Co. In August 2000, Archer Daniels Midland became a 300 MW customer of CIPS. In addition, Ameren signed a multiyear contract with Soyland Power Cooperative for more than 375 MW. As part of the agreement, which took effect Jan. 1, 2000, AmerenEnergy will dispatch 178 MW of Soyland generating capacity.

The MAIN and ECAR regions are characterized by strong economic growth prospects, as evidenced by a growing population base, relatively low unemployment, continued commercial and industrial expansion, and real per capita incomes at or above national averages. This is expected to sustain healthy electric sales growth over the next five years.

Operations.

Ameren benefits from low production costs and a relatively diverse fuel mix. The company used coal for roughly 81% of its 2000 generating requirements, nuclear for 18%, and hydro/pumped storage for 1%. Ameren owns 60% of the capital stock of Electric Energy Inc., with the balance held by two other sponsoring companies. Electric Energy owns and operates the 1,000 MW coal-fired Joppa Station. Under very economical power supply agreements, Ameren may purchase almost 40% of the available annual output of the facility.

Ameren is extremely well positioned to sell wholesale power through a strong transmission network. Although Ameren's generating facilities are connected in the MAIN region, they have substantial interconnections with members in Midwestern, Southern, and south-central markets.

Ameren also owns and operates 690 MW of natural gas-fired capacity that was brought on line during 2000 and 820 MW of simple cycle and combined cycle natural gas-fired capacity that became operational in 2001. In addition, Ameren is expected to acquire or build 710 MW in 2002 and 325 MW each in 2004 and 2005. The bulk of the new stations will operate in a peaking mode with the balance to operate in intermediate service. A portion of the new generating capacity will be built at Ameren's construction subsidiary and contributed to AEGC at completion.

Environmental issues.

When EPA's 1997 regulations revising the National Ambient Air Quality Standards for ozone and particulate matter are ultimately enacted, Ameren will be required to significantly reduce reductions in SO2 and NOx emissions from its plants. At this time, the company is unable to predict the effect that the revised standards will have on its financial condition.

In 1998, the EPA issued regulations requiring significant reductions in NOx emissions from coal-fired boilers in 22 states, including Missouri and Illinois. The regulations were challenged in a U.S. District Court. In March 2000, the Court upheld most of the regulations. However, the Court remanded the Missouri's regulations back to the EPA for revision. The Court further delayed the compliance date until 2004. The final applicability of the regulations as they might apply to utility boilers in Missouri is still uncertain. Because of the magnitude of these additional reductions (75% beyond 1990 levels by 2004) the company will be required to incur higher capital costs to meet future compliance obligations and could have much higher operating and maintenance (O&M) expenditures associated with compliance. The significant NOx emissions reductions already achieved at several of the company's plants will help reduce the costs of compliance. However, the regulations will require installation of selective catalytic reduction technology on some of the company's units as well as other additional controls. Ameren estimates that additional capital outlays needed for compliance with final NOx regulations could range from $250 million to $300 million from 2001 to 2005. Associated O&M expenses could increase by $10 million to $15 million annually, beginning in 2005.

Notwithstanding currently manageable environmental exposure, concern still exists given potentially tighter environmental legislation. The possible increase in capital spending and higher O&M expenses to comply with more stringent regulations at AEGC's facilities could not, of course, be passed on to customers.

Nuclear.

UE's 1,137 MW Callaway nuclear station began commercial operation in December 1984 and cost $3 billion. Callaway is a pressurized-water reactor with Westinghouse-designed turbine generators. Management has done an excellent job operating Callaway. The station, currently operating at full capacity, is an industry leader in terms of production and safety.

Callaway's 11th refueling and maintenance outage that began April 7, 2001 lasted 45 days, below the 50-day average of all past Callaway refuelings and in less time than the industry average for plants of similar age. Refueling at Callaway occurs every 18 months, with the next outage slated for fall 2002. Management attributes the short outage to employees' outstanding preparation, teamwork, and professionalism.

Management has also been successful in controlling Callaway's O&M expenses; levelized annual costs have been about $97 million in the past three years, well below the industry average. Callaway's average production costs, including fuel, for 1997 through 1999 of 1.56 cents per kWh were among the lowest of all U.S. nuclear plants. The station's statistical measures have been relatively steady. In 2000, Callaway posted an impressive 100% capacity and availability factor. Its lifetime performance grades are similarly high, with capacity factors of about 92% excluding refueling, 85% including refueling, and operating availability of 89%.

Although Callaway is considered one of the top nuclear plants in the country, nuclear units elevate credit risk. Obviously, Standard & Poor's concerns are tempered where nuclear stations such as Callaway demonstrate solid track records. Although Callaway's extraordinary performance since it began operating ameliorates a burdensome level of asset concentration, the absence of a fuel-adjustment mechanism in Missouri is a credit concern because unscheduled outages could expose UE to higher replacement power costs.

Asset concentration risk revolves around UE's substantial investment in Callaway. Depreciated book value is about $1.6 billion, which represents about 30% of UE's net plant in service and 62% of common equity. The facility also accounts for about 26% of UE's electric generation and 14% of its installed capacity. On a consolidated basis, asset concentration is diluted by abundant installed coal-fired and gas-fired capacity; Callaway represents about 21% of Ameren's total net plant, 50% of common equity, 18% of combined system electric generation, and 9% of total installed capacity.

Competitive position.

Ameren enjoys a strong competitive position. The UE/CIPS merger created a bigger, more efficient utility that is better able to meet the challenges of a deregulated industry. UE and AEGC are relatively low-cost electricity producers with competitive rates. Importantly, prices charged to customers will be even lower than if this transaction had not occurred.

Ameren's low-cost generating capacity with an embedded cost of production plant of about $324 per kW at UE and $189 per kW for CIPS' capacity (transferred to AEGC on May 1, 2000), net of accumulated depreciation, compared with an average for other regional utilities of about $410 per kW. As a result, total costs of production are competitive at an average 3.10 cents per kWh, compared with the MAIN group average of 3.50 cents per kWh (1999 is the latest year in which comparable data is available. Its fixed production costs also are significantly less than the regional average and the average for all investor-owned utilities. Furthermore, Ameren's average retail rates are competitive regionally and nationally.

On the fuel-cost management front, virtually no one can compete with UE. The company's cost of fuel is the lowest in the region and some 40% less than the industry average. UE's favorable fuel cost position can be traced to its enterprising use of cheaper, low-sulfur Powder River Basin coal.

economical use of purchased power, efficient power plant management, and aggressive negotiations for fuel-related services.

Diversified activities.

Ameren's nonregulated operations are organized under subsidiaries AEGC, AmerenEnergy Resources, AmerenEnergy, AmerenEnergy Marketing, Ameren Development, and CIPSCO Investment. Ameren's nonregulated activities have increased considerably following the recent transfer of CIPS electric generating assets to AEGC. Unregulated ventures represent about 15% of operating income and cash flow; additional growth is expected as new merchant capacity comes on line.

AmerenEnergy is the company's energy trading affiliate. AmerenEnergy uses advanced technology to track buying and selling of electricity and natural gas and to provide customized energy services. The company's conservative trading strategy concentrates on regional, relatively short-term transactions that are subordinate to its native load. In addition, the company has the physical generating assets and a healthy reserve margin supporting its transactions. Notably, AmerenEnergy has a prudent risk-assessment policy to protect customers from volatile pricing and to limit its own exposure to price movements.

Ameren Energy Resources is an intraholding company that houses Ameren's nonregulated generating operations.

AmerenEnergy Marketing, a subsidiary of Ameren Energy Resources, is the company's newly created marketing arm and provides a range of energy and risk-management services to targeted customers.

Ameren Development encompasses Ameren's nonregulated products and services. Ameren Services provides shared support services to Ameren and all of its subsidiaries. CIPSCO Investment's portfolio consists primarily of equity interests in lease transactions and energy-related projects.

Through partnerships with major design and engineering firms, Ameren affiliates pursue nonutility ventures involving activities from energy efficiency technologies and advisory services to designing, building, and operating steam heat and chilled water systems for large customers. Most notable is its joint venture with Gateway Energy Systems, a firm that designs, builds, finances, owns, and operates utility systems for large institutional and industrial customers.

Although important to driving shareholder value as the energy markets deregulate, the expansion of nonregulated activities, especially the growth of Ameren's generation business, will increase business risk. Standard & Poor's will continue to monitor the growth of Ameren's unregulated businesses and the effect of financing decisions on the utilities', AEGC's and consolidated entity's credit quality.

■ Financial Profile

Financial Policy: Moderate

Management's financial strategy, which until last year was viewed as conservative, is now considered moderate. This is evident in the rising level of debt in the company's capital structure and recent expansion of its riskier unregulated generation business.

Profitability.

Notwithstanding some decline, Ameren's consolidated bondholder protection parameters remain relatively healthy, with adjusted pretax interest coverage of 4.8 times (x) and a ROE of 13.2%. However, continued slippage in earnings protection is expected due to additional financing requirements for installation of a block of combustion turbines and to lesser degrees, spending to replace four steam generators at UE's Callaway nuclear station by year-end 2005 and spending to meet new air-quality standards for ozone and particulates. As a result, pretax interest coverage may fall to 3.5x absent improvement in consolidated capital structure balance, greater profits from AEGC, healthy sales growth, and reduced expenses.

Cash flow protection.

Ameren's consolidated construction expenditures (excluding $21.6 million for nuclear fuel) totaled $929 million in 2000 compared with just $571 million in 1999. Prospectively, capital outlays are projected to approximate $3.0 billion (excluding nuclear fuel) from 2001 through 2005, or a somewhat heavy 9% of total capital. The higher level of capital spending is mainly attributable to the installation of 1,510 MW over the mid-2000 through 2001 period and 1,360 MW of new combustion turbine capacity to be added by 2005, and, to a lesser extent, replacing steam generators at Callaway and meeting new air quality standards.

Standard & Poor's expects Ameren's internal cash flow to fund about three-quarters of construction outlays for the foreseeable future. However, historically robust consolidated funds from operations (FFO) to total debt has begun to weaken and is expected to hover around 25%-27% through 2002, while FFO interest coverage, although declining, should remain healthy, at about 4.8x.

Capital structure.

Ameren's consolidated adjusted debt leverage has risen to a liberal 49.3% on June 30, 2001 from 43.8% at the end of 1999, but its reported common equity layer is a healthy 46%. Capital structure balance has deteriorated because of external funding requirements for new combustion turbines. Only modest debt reduction is currently envisioned; total debt may fall just below 48% in nearby years. Preferred stock accounts for a modest 4.4% of total capitalization and receives full equity treatment.

Financial flexibility.

Ameren has adequate financial flexibility to meet projected needs, as demonstrated by a market-to-book ratio of 185% as of June 30, 2001 and ample bank credit facilities totaling $939 million. Some $463 million of these facilities is available for Ameren's use and for use by its unregulated subsidiaries. The remaining $476 million is available for use by UE and CIPS. About $763 million of these facilities support commercial paper programs at Ameren Corp. and UE. The SEC has authorized Ameren to have up to $2.8 billion of short-term unsecured debt instruments outstanding at any one time.

Ameren's common dividend payout to shareholders stood at 76.2% in 2000 compared with a high of 90.4% in 1999. Over time, management intends to grow into a lower payout ratio, owing to expectations for greater earnings in the utility and unregulated businesses. In addition, management will continue to assess the common stock dividend as industry competition heightens.

Financial Statistics - Ameren Corp.					
		--Year ended Dec. 31--			
	2001*	2000	1999	1998	1997
Income statement (mil. $)					
Gross revenues	4,171.7	3,855.8	3,523.6	3,818.2	3,826.5
Operating expenses (excl DD&A)	2,855.4	2,532.2	2,351.7	2,130.9	2,164.3
Depreciation and amortization	394.7	382.1	350.5	348.4	346.0
Pretax operating income	921.6	941.5	821.4	838.9	816.3
Gross interest expense	168.0	174.6	163.2	176.5	185.4

AFUDC and deferrals	15.5	13.6	14.3	12.0	12.7
Pretax income	722.6	763.4	649.0	659.3	625.8
Income taxes	287.8	301.2	258.9	267.7	234.2
Net income from continuing operations	434.9	462.2	390.2	391.6	391.6
Earnings protection					
EBIT interest coverage (x)	4.8	5.4	5.0	4.7	4.4
Adjusted EBIT interest coverage (x)	4.8	5.2	4.8	4.7	4.3
Preferred dividend coverage (x)	4.6	5.0	4.6	4.5	4.3
EBITDA interest coverage (x)	6.9	7.6	7.1	6.7	6.2
AFUDC and deferred income/earnings (%)	3.6	3.0	3.7	3.1	3.2
Return on common equity (nominal) (%)	13.2	13.9	11.9	12.1	12.5
Common dividend payout (%)	81.1	77.1	91.7	91.4	84.6
Annual O&M growth (%)	36.5	3.2	4.3	7.1	5.8
Annual expense growth (excl. DD&A) (%)	16.7	7.7	10.4	(1.5)	0.2
O&M/revenues (%)	26.4	26.8	28.4	28.9	28.9
Total operating expenses (excl. DD&A)/revenues (%)	68.4	65.7	66.7	64.2	65.1
Balance sheet (mil. $)					
Cash and temporary investments	72.5	128.0	194.9	76.9	9.7
Gross plant	13,771.1	14,166.7	13,056.5	12,530.9	12,272.5
Net plant	7,407.9	7,982.3	7,165.2	6,928.0	6,937.1
Total assets	10,063.4	9,714.4	9,177.6	8,847.4	8,827.5
Short-term debt	471.4	247.7	209.0	260.2	138.5
Long-term debt	2,907.3	2,679.1	2,382.9	2,223.4	2,440.1
Preferred stock	301.2	301.2	300.7	301.2	301.2
Common equity	3,167.4	3,200.6	3,089.7	3,059.7	3,022.5
Total capitalization	6,847.3	6,428.6	5,982.4	5,844.5	5,902.3
Total off-balance-sheet obligations	48.4	48.4	52.5	31.8	35.4
Balance sheet ratios (%)					
Short-term debt/total capital	6.9	3.9	3.5	4.5	2.3
Long-term debt % cap.	42.5	41.7	39.6	38.0	41.3
Preferred stock/total capital	4.4	4.7	5.0	5.2	5.1
Common equity/total capital	46.3	49.8	51.6	52.4	51.2
Adjusted total debt/total capital	48.3	45.9	43.8	42.8	44.0
Cash flow (mil. $)					
Net income	434.9	462.2	390.2	391.6	391.6
Depreciation and amortization	413.8	406.9	376.4	375.8	377.2
Deferred taxes and ITC	(11.2)	(5.0)	30.6	(36.3)	(43.5)
AFUDC and deferrals	15.5	13.6	14.3	12.0	12.7
Other funds from operations (FFO) adjustments	6.8	0.0	0.0	0.0	0.0
FFO	828.6	850.5	782.9	718.6	712.6
Preferred dividends	(5.1)	(5.1)	(5.1)	(5.1)	0.0
Common dividends	(348.6)	(348.5)	(348.5)	(348.5)	(331.3)
Net cash flow (NCF)	475.0	498.9	429.3	365.0	381.4
Working capital changes	(5.3)	10.2	139.8	89.7	(25.2)
Capital expenditures (capex)	(1,022.1)	(936.7)	(578.4)	(333.3)	(367.9)
Discretionary cash flow	(552.4)	(429.6)	(9.4)	121.4	(11.6)

Cash flow adequacy					
FFO interest coverage (x)	5.0	5.8	5.8	5.1	4.7
Adjusted FFO interest coverage (x)	5.0	5.7	5.6	5.0	4.7
FFO/avg. total debt (%)	26.7	30.8	30.8	28.4	28.1
Adjusted FFO/average total debt (%)	26.5	30.3	30.3	28.0	27.7
NCF/capex (%)	46.5	53.0	74.2	109.5	103.7

*For 12 months ended June 30 (unaudited). AFUDC--Allowance for funds used during construction. O&M--Operations and maintenance. ITC--Investment tax credits. DD&A--Depreciation, depletion, and amortization.